

Message Text

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63

ORIGIN ARA-20

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FM SECSTATE WASHDC

TO AMEMBASSY SANTO DOMINGO PRIORITY

UNCLAS STATE 148750

E.O. 11652: N/A

TAGS: EFIN, EMIN, DR

SUBJECT: ALCOA NEGOTIATIONS WITH GODR

1.ALCOA ISSUED FOLLOWING PRESS RELEASE TODAY DEALING
WITH ITS RECENT OFFER OF INCREASED REVENUES FOR BAUXITE TO
THE GODR:

"ALUMINUM COMPANY OF AMERICA TODAY DISCLOSED DETAILS OF ITS
OFFER OF INCREASED REVENUES FOR BAUXITE MINED IN THE DOMIN-
ICAN REPUBLIC.

"THE OFFER, MADE TO THE DOMINICAN REPUBLIC BAUXITE COMMIS-
SION, AND WHICH WOULD BE EFFECTIVE JULY 1, 1974, INCLUDES:

"SUBSTANTIAL INCREASES IN INCOME TAX AND ROYALTY PAY-
MENTS UNDER CURRENT MARKET CONDITIONS, PROVIDING APPROXI-
MATELY DOUBLE THE PRESENT REVENUES TO THE GOVERNMENT.

"TWO-FOLD ESCALATION PROVISIONS FOR SUBSTANTIALLY GREATER
FUTURE INCREASES IN REVENUES BASED ON INCREASES IN THE
SELLING PRICE OF PRIMARY ALUMINUM INGOT AND IN THE COMP-
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ANY'S RATE OF RETURN ON SALES.

"FAVORED NATIONS' PROVISION UNDER WHICH THE DOMINICAN REPUBLIC IS ASSURED OF REVENUE LEVELS ON ITS BAUXITE NO LESS THAN THOSE FINALLY DERIVED BY OTHER BAUXITE-PRODUCING

NATIONS UNDER COMPARABLE FACTS AND CIRCUMSTANCES.

"RETROACTIVE PAYMENTS OF ANY ADDITIONAL REVENUES THAT MIGHT BE COMPUTED AS A RESULT OF THE 'FAVORED NATION' PROVISION.

"ALCOA CHAIRMAN JOHN D. HARPER SAID, "THE COMPANY'S OFFER TO THE DOMINICAN REPUBLIC PROVIDES THE COUNTRY WITH IMMEDIATE SIGNIFICANT GROWTH IN REVENUE, TOGETHER WITH SUBSTANTIAL OPPORTUNITY FOR STILL FURTHER INCREASES. WITH THE PROTECTION OF THE 'FAVORED NATIONS' PROVISION, THE DOMINICAN REPUBLIC IS ASSURED THAT IT WILL RECEIVE REVENUES FOR ITS BAUXITE AT THE HIGHEST POSSIBLE LEVEL COMPARABLE TO THOSE PROVIDED IN AGREEMENTS WITH ANY OTHER NATION." KISSINGER

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